

Message Text

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ACTION SS-25

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FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 9301

C O N F I D E N T I A L LUSAKA 1616

EXDIS

E.O. 11652: GM

TAGS: EFIN, ZA

SUBJECT: TAW OPERATIONS

EXDIS

REF: STATE 174339; LUSAKA A-117 DATED AUGUST 31, 1973

1. COLLAPSE OF TAW DEAL WOULD HAVE JARRING IMPACT. IT WOULD CAUSE DRAMATIC SETBACK TO GRZ TRADE RE-ROUTING EFFORTS AND VERY LIKELY HAVE ADVERSE CONSEQUENCES IN TERMS OF ZAMBIAN ATTITUDES TOWARD US AND CERTAINLY CREATE DOUBTS AND RESERVE ABOUT DEPENDABILITY US ENTERPRISES.

2. TAW COMPONENT OF ESTIMATED ZAMBIAN TRUCK REQUIREMENTS IN COMING MONTHS QUITE SUBSTANTIAL--I.E., AROUND 40 PERCENT. UNDP ESTIMATE OF JULY WAS 800 TRUCKS FOR DELIVERY IN 1973 WITH "POSSIBLY" 300 MORE IN 1974 (ANSTEE AIDE MEMOIRE DATED JULY 30). BASED ON NUMBER OF TRUCKS ZAMBIANS HAVE ACTUALLY ORDERED AND ON ASSUMPTION TAW WILL PERFORM SUBSTANTIALLY AS PROMISED (I.E., THREE-FOUR ROUND TRIPS TO PORT A MONTH), OUR OWN PRESENT ESTIMATE IS NEAR 700, WITH PROBABLY FEW IF ANY MORE TRUCKS NEEDED IN 1974. ACKNOWLEDGE, HOWEVER, UNDP HAD BETTER ACCESS TO ESSENTIAL DATA THAN WE. WOULD GUESS UNDP ESTIMATE OF POSSIBLE NEED FOR ADDITIONAL 300 TRUCKS IN 1974 A CONTINGENCY AGAINST FAILURE OF TAW REACH OPTIMAL PERFORMANCE. IN ANY EVENT, ZAMBIANS OBVIOUSLY HEAVILY DEPENDENT UPON TAW.

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3. IF TAW DEAL COLLAPSES, WE LIKELY BE CONSIDERED UNPARDONABLY

REMISS AND PERHAPS DISHONEST FOR NOT HAVING CAUTIONED GRZ EXAMINE TAW MORE CAREFULLY AT OUTSET. IF IT APPEARS OPIC PARTICIPATION COULD HAVE PREVENTED COLLAPSE, ZAMBIANS VIRTUALLY CERTAIN BE DEEPLY OFFENDED AND CONCLUDE U.S. HAS BECOME HYPOCRITICAL ABOUT ITS PROFESSED SUPPORT OF ZAMBIA IN CURRENT SITUATION AS REFLECTED INTER ALIA IN ITS VOTES ON UN AND ECOSOC RESOLUTIONS AND ITS FIVE MILLION DOLLAR PROGRAM LOAN. ZAMBIAN FRIENDS OF US WHO PUSHED TAW DEAL WOULD BE DISCREDITED TO SATISFACTION AND ADVANTAGE OF THOSE WHO OPPOSED IT.

4. IF GRZ BECAME AWARE OF TAW'S FINANCIAL PROBLEMS, IT WOULD PROBABLY CREATE DIFFICULTIES FOR PRESIDENT AND THOSE WHO CARRIED CONTRACT THROUGH IN GRZ. THERE COULD BE MOVE FOR CANCELLATION, BUT BELIEVE IT MORE LIKELY, AT LEAST IN FIRST INSTANCE, GRZ WOULD SEEK OUR INTERVENTION AND ASSISTANCE TO SAVE SITUATION.

5. WE HAVE NO WAY OF SPECULATING KNOWLEDGEABLY ON GM/Ryder CAPABILITY TO TAKE OVER TAW CONTRACT. RYDER PERSONNEL HERE HAVE MADE GOOD IMPRESSION; THEY SEEM QUITE COMPETENT AND WELL ABLE TRAIN DRIVERS AND PUT TRUCKS ON ROAD, BUT IT DOUBTFUL CURRENT CONTINGENT HAS ADMINISTRATIVE AND CONTROL CAPACITY. ASSUME, HOWEVER, RYDER HAS PERSONNEL IN US WHO, IN LIGHT COMPANY'S LEASING EXPERIENCE, COULD TAKE OVER ADMINISTRATION. IN VIEW DEEP GM INVOLVEMENT, SIZE OF ZAMBIAN CONTRACT AND ITS FUTURE IMPLICATIONS, AND GM'S PERSONNEL RESOURCES, IT WOULD SEEM TO US GM HAS BOTH INTEREST AND PROBABLY CAPACITY TO JOIN WITH RYDER IN CARRYING OUT CONTRACT IF TAW FAILS.

6. DELAY IN DELIVERY OF TAW TRUCKS MAY NOT BE AS SERIOUS A PROBLEM AS IT WOULD HAVE APPEARED TWO OR THREE MONTHS AGO (SEE REFAIRGRAM). ACCORDING ALL REPORTS, THERE AMPLE TRUCK CAPACITY FOR PRESENT. THIS DUE IN CONSIDERABLE MEASURE TO UNEXPECTED CAPACITY BENGUELA RAILROAD HAS SHOWN AND TO VERY SUBSTANTIAL REDUCTION IN IMPORT TRAFFIC RECENT MONTHS. BUILD-UP OF IMPORTS EXPECTED BUT HEAVY DEMAND ON CARRYING CAPACITY NOT LIKELY ARISE UNTIL NOVEMBER AT EARLIEST. ZAMBIANS WOULD UNDOUBTEDLY BE DISTRESSED BY DELAY IN TRUCK DELIVERIES, BUT IF IT LASTS ONLY TWO OR THREE MONTHS, BELIEVE STORM COULD BE WEATHERED REASONABLY WELL. SUGGEST IT WOULD BE WISE AND PROPER, HOWEVER, FOR TAW TO ADVISE ZAMBIANS OF DELIVERY DELAY; CONFIDENTIAL

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THOUGH THIS MIGHT STIMULATE SOME PRESSURE FOR CANCELLATION, BELIEVE PREDOMINANT REACTION WOULD BE APPRECIATION FOR HONESTY AND FOR OPPORTUNITY TO PLAN FOR PERIOD OF TRUCK SHORTAGE. (TOM WOOD IN LUSAKA LAST WEEK. HE NATURALLY PUTTING ON CONFIDENT FRONT AND SAYING IT UNECONOMIC MAKE TRUCK DELIVERIES WHILE DEMAND LOW AND REVENUE THEREFORE LIMITED.)

7. RECOGNIZE VERY SERIOUS QUESTION INVOLVED IN CONSIDERING

WHETHER OPIC SHOULD ATTEMPT BAIL OUT ENTERPRISE WHICH HAS BEEN UNWISELY MANAGED AND WITHOUT SUFFICIENT RESOURCES. MORE SERIOUS IS QUESTION WHETHER WE SHOULD ALLOW ZAMBIANS BE SEVERELY PENALIZED AND AT SAME TIME OPEN OURSELVES TO ADVERSE POLITICAL AND COMMERCIAL CONSEQUENCES IF WE IN POSITION TO PREVENT IT. MOREOVER, OPIC FINANCING OF TAW REMAINS JUSTIFIABLE ON GROUNDS OF FURTHERING US COMMERCIAL INTEREST IN ZAMBIA AS WELL AS CONTRIBUTION TO ZAMBIAN DEVELOPMENT. THERE ALSO PROMISING POTENTIAL FOR US COMMERCIAL INTEREST IN OTHER DEVELOPING AREAS IF TAW/ZAMBIA CONTRACT SUCCESSFULLY CARRIED OUT.

8. IN OUR VIEW, WEIGHT OF ARGUMENT CLEARLY ON SIDE OF OPIC 2.1 MILLION DOLLAR LOAN TO TAW. PRESUME THAT, AS CONDITION, SOME FORM OF CONTROL WOULD BE ARRANGED IN EFFORT INSURE AGAINST FURTHER FINANCIAL MISMANAGEMENT BY TAW.

9. DEPT MAY WISH CONSULT WITH KENNETH NEIL, LOAN OFFICER OF FIRST NATIONAL BANK OF CHICAGO, ONE OF TAW'S FINANCIAL BACKERS. NEIL WAS IN ZAMBIA LAST WEEK TO LOOK OVER TAW OPERATION, PRESUMABLY AS RESULT OPIC'S BRINGING IN ALL CREDITORS ON TAW'S MANAGEMENT AND FINANCIAL PROBLEMS (PARA 5 REFTTEL). HE WAS RATHER CLOSE-MOURED WITH EMBASSY, BUT THAT PERHAPS BECAUSE HE NEW TO AFRICA

AND WAS ONLY MID-WAY IN HIS EXAMINATION WHEN WE SAW HIM. ONE THING HE DEFINETELY DID NOT RPT NOT WANT TO TALK ABOUT WAS TRUCK DELIVERY SCHEDULE. NELSON

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